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STATISTICAL BULLETIN

Volume 18, No. 2, February, 1985

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The Conference Board

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COMMENT

For some time now, business conditions have been whip sawed by strong fiscal stimulus and the equally potent, but opposite, impact of trade deficits, an overvalued dollar, and high interest rates. By the fall of 1984, these countervailing forces had brought economic activity to a virtually trendless state—one where growth is more likely to come in fits and starts than in a steady flow.

The Federal Reserve intervened in the Fall to tip the balance. Money was pumped into the system and interest rates fell rather sharply. The Federal Funds Rate—the rate at which banks borrow from other banks—stood at almost 12% in early September but dropped to 8% by late December. This easing of monetary policy certainly enhanced growth prospects. Last Fall, the median of the *Economic Forecasts* was for growth in real GNP of only about 3% in the first half of 1985, and less than 2½% in the second half of the year (at annual rates). Thanks in no small part to the added pep from more money and lower interest rates, the current median forecast for real growth in the first half of this year is a little over 4 percent.

More economic growth generates more credit demand. As the interest-rate decline diffuses to mortgage and auto loans, consumers will step up their buying of homes and cars. Further, business investment, already going strong, is in a better position to maintain its momentum. More credit demand, however, puts upward pressure on intrest rates. Moreover, rising interest rates and an expanding economy send the dollar higher.

The trade-weighted average *Exchange Rate* of the dollar against other major currencies was 128.5 (1980-1982 = 100) back in October—or 28.5% higher than its base-period value. That figure dipped to 26.8% in November, rebounded to 29.4% in December, then rose to 32% in January. The dollar has climbed by 10% in each of the last four years and shows no sign of slowing down. Some increase in interest rates, and further hikes in the value of the dollar, in the first half of 1985 are likely to shift the economic balance toward slower and more fitful growth in the second half. The median of the current *Economic Forecasts* indicates a growth rate of only about 2½% in the fourth quarter of 1985.

The dollar's allure reflects relatively high U.S. interest rates and a relatively low inflation rate. The dollar's strength, in turn, is one factor in holding down price increases. Prices of import-competing goods rose by only 1.1% in 1984, while prices of services rose by 5.8 percent. The pressure to keep price increases as low as possible requires rather stringent cost containment. As indicated on the *Key Determinants of Profit Margins* chart, worker compensation rose by only about 3.7% in 1984, but labor productivity increased by 1.2% and the resultant hike of about 2½% in unit labor cost was enough to prevent any significant improvement in profit margins. Unless higher productivity gains can be achieved—an iffy prospect at best—cost-containment efforts are likely to keep the rise in labor compensation rather low. That will help keep inflation in check, but it will also limit the pace of consumer demand. The median of the *Economic Forecasts* indicates that inflation will remain in a low 3½-to-4% range in the first half of 1985, and may rise to only about 4½% in the second half of the year.

The forecast of a sustained, low inflation rate in the presence of a large and semipermanent federal budget deficit shows how open this economy is to foreign influence. An inflow of foreign capital has been providing enough savings to meet U.S. borrowers' needs and to preclude monetizing the debt. That is, the mint does not have to work overtime papering over the red ink flowing out of Washington.

The *Perspective on the Federal Budget* table shows that the latest version of the Administration's spending plan for fiscal 1985 is some $30 billion higher than its midyear review estimate, despite a $12½ billion reduction in national defense. Higher estimates for spending on income security, agriculture, energy and housing account for most of this difference. The revised estimate of tax revenue is $27 billion lower than at midyear. Consequently, the latest estimate of the fiscal deficit is $222 billion, compared with the $167 billion figure calculated last August. The Congressional Budget Office's baseline estimate of tax revenue is fairly close to the Administration's figure but CBO's numbers on spending and, therefore, the deficit are a little lower.

The "current services" budgets for fiscal 1985 and 1986 essentially show what happens to revenues and expenditures, taking inflation into account and assuming no changes are made in tax laws or program funding. The Administration, anticipating 4% growth in real GNP, expects a $60-billion rise in revenue, or about the increase

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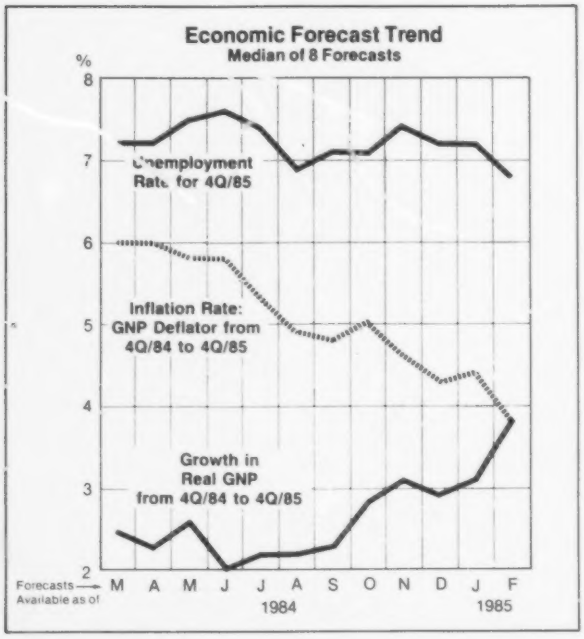


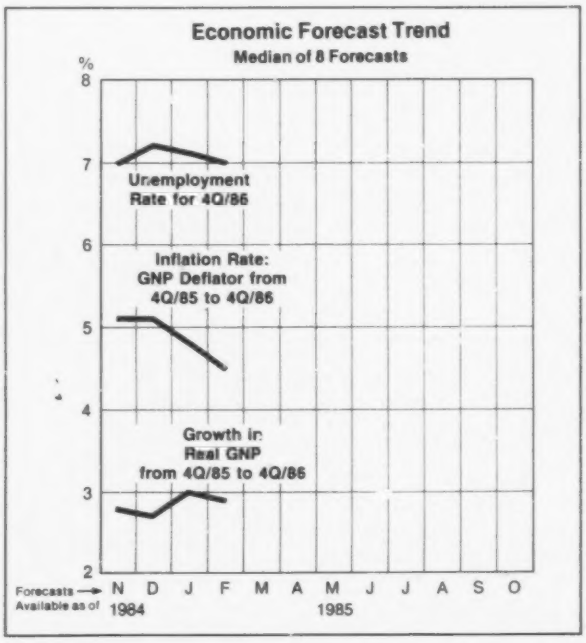
shown in the current services budget, for fiscal 1986. The CBO growth estimate is lower, and closer to the median of the *Economic Forecasts* shown in the accompanying chart. The Administration's spending proposal reflects the well-publicized $50-billion cut relative to the current services budget, resulting in an estimated deficit that is $50 billion below that in the current services budget.

The CBO spending estimate is $20 billion higher than the Administration's. That, together with a lower revenue figure, puts its deficit calculation at $206 billion. The CBO numbers, however, are baseline figures. Congress will undoubtedly go along with some of the Administration's proposed spending cuts and/or propose a few of its own. The expenditure reductions will result in a lower deficit number. Nonetheless, both the Administration and the CBO data imply deficits of $200 billion—more or less—in fiscal 1985 and fiscal 1986, following $195 billion in fiscal 1983 and $175 billion in fiscal 1984. Nor is the flood of red ink expected to be stemmed in the later, "out" years. Economic growth is not slowing down budget deficits, and a semi-permanent fiscal stimulus of this magnitude may yet result in placing the economy back on an inflation treadmill. If infusions of foreign capital begin to dry up, this danger looms larger.

With economic growth in the 4% range in the first half of 1985, employment gains ought to be quite good. Nonfarm jobs were up by 1.2 million in the four months through January, but the unemployment rate moved back up to 7.4% in that month. An erratic flow of entrants into the labor force accounts for some of the contradictory behavior of the data, but not all. Most of the job growth continues to be centered in the service sector, not in the cyclically sensitive manufacturing industries.

The Conference Board's *Help-wanted Index* rose sharply in December, after being quite flat in the prior 5 months. However, early returns indicate that most of the gain evaporated in January. The *Economic Forecasts* indicate that the unemployment rate will probably drop to an average of 7.2% in the first quarter of 1985, and 7% in the second quarter. As economic growth slows in the second half of the year, employment gains will slow. One big question mark, hanging over all forecasts, is what happens if the dollar starts to come down. If domestic producers are losing sales now to attractively priced competition, because of a significantly overvalued dollar, then business and job growth may benefit from a lower dollar. Inflation, on the other hand, would accelerate. Whatever the economic consequences of a dollar depreciation, the dollar's value does not rise or fall solely on the strength of domestic economic conditions. Another currency will have to offer an advantage over the dollar in order for it to come down. The data on the *Selected International Comparision* charts show that none of the major trading partners are enjoying stronger economic growth than the United States at the moment. That may change in the second half of 1985.

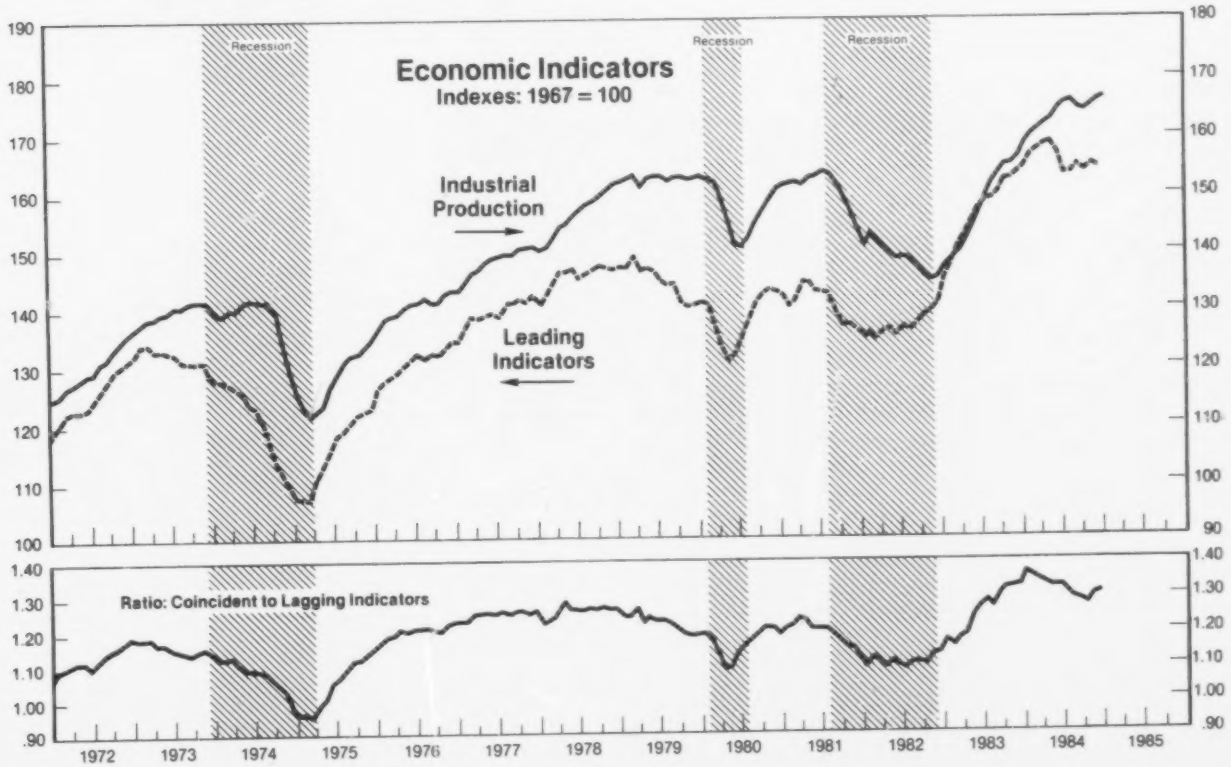
Ken Goldstein
February 13, 1985



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over latest three months	Change From Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Dec.		X		− 0.2%	+ 0.9%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Dec.			X	−14.1%	− 1.7%
New orders, nondefense capital goods (deflated)	Dec.			X	−15.1%	− 4.0%
*New business formation	Dec.			X	− 3.0%	− 0.9%
*Housing permits	Dec.		X		+10.1%	− 1.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Dec.	X			+ 2.6%	+ 0.4%
*Change in inventory, on hand & order (deflated)	Nov.			X	− 3.5%	− 6.0%
Purchasing agents' buying policy	Dec.			X	− 7 %	− 7 %
*Vendor performance, reported slower deliveries	Dec.			X	− 13 %	− 22 %
Industrial raw materials prices	Dec.			X	− 4.4%	− 7.3%
*Change in sensitive material prices	Dec.		X		+ 0.7%	− 1.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Dec.	X			+ 2.3%	+ 4.1%
Change in business loans	Dec.		X		+11.7%	+ 2.4%
*Change in credit outstanding	Dec.		X		− 3.9%	− 0.9%
Change in consumer installment debt	Nov.	X			+23.4%	+ 37.6%
Profitability						
Total corporate profits, after tax (deflated)	3rd Q			X	− 6.5%	− 3.2%
*Common stock prices	Jan.	X			+ 3.5%	+ 2.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan.		X		+ 0.2hr	− 0.3hr
*Initial unemployment claims (inverted)	Jan.		X		0 %	−11.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1983 Dec.	1984 Sept.	Oct.	Nov.	Dec.(e)
Principal Diffusion Index	67.7	53.8	51.9r	54.9r	55.0
Auxillary Diffusion Index	42.5	36.7	43.5r	59.9r	50.2
Industrial Group	70.8	53.6	50.9r	53.4r	54.8
Nonindustrial Group	64.6	54.1	52.8r	56.4r	55.1
Sense of Diffusion	1.0	1.0	1.0	1.0	1.0
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	64.1	51.7	49.1	52.4r	52.1
Labor	72.3	53.6	53.8r	57.4r	60.9
Miscellaneous	76.9	56.4	46.2	44.9	43.6
Nonindustrial Subgroups					
Prices	64.1	45.5	37.8	46.2	38.5
Consumer	77.8	63.2	67.9	72.6	66.7
Building	56.4	56.4	55.1	61.5r	67.9
Miscellaneous	57.3	49.1	46.2r	43.6	46.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index

BUSINESS EXECUTIVES' EXPECTATIONS

	1982 May	Aug.	Nov.	1983 Feb.	May	Aug.	Nov.	1984 Feb.	May	Aug.	Nov.
	Score (scale 0-100)										
Measure of Business Confidence	52	55	60	70	76	75	74	70	65	61	57
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	30	38	44	65	76	82	80	76	75	70	57
2. Expectations for Economy, Six Months Ahead	64	65	70	76	78	74	73	67	60	57	57
Expectations for Own Industry, Six Months Ahead	61	61	65	70	72	69	70	67	61	57	58

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

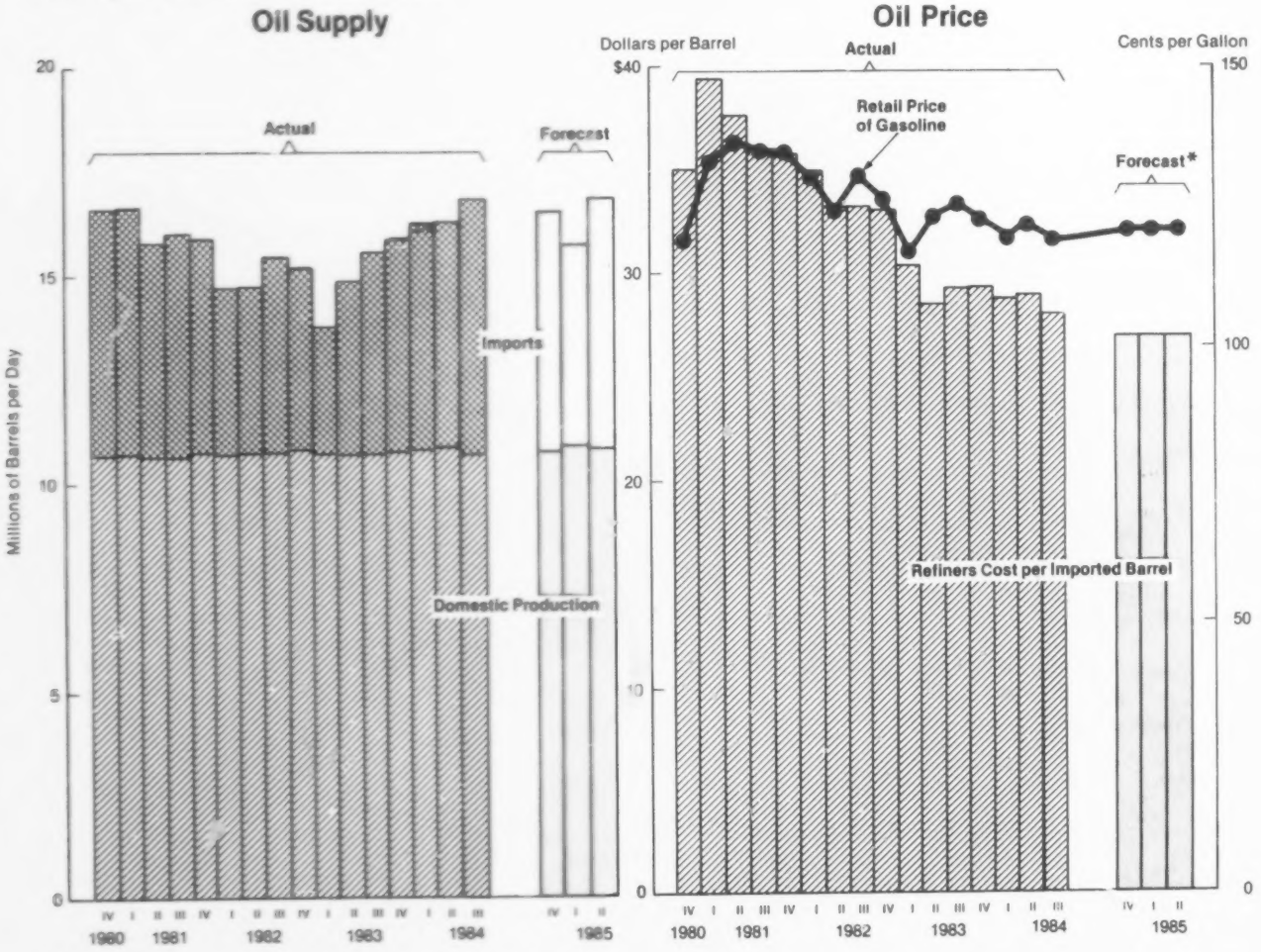
	1983				1984			Percent Change From Previous Year		
	Ir	IIr	IIIr	IVr	Ir	IIr	IIIp	1983 Actual	1984 Estimated	1985 Expected**
1000 LARGEST MANUFACTURING FIRMS										
New appropriations	20.072	20.874	22.875	24.262	26.816	37.154	28.720	1	38	-13
Capital expenditures	19.106	18.664	18.244	19.560	19.905	21.808	23.751	−23	20	12
Change in appropriations backlog*	−1.160	−0.982	+1.988	+0.928	+5.152	+13.867	+3.797			
Durable Goods										
New appropriations	8.130	9.293	9.119	11.024	13.662	21.216	13.307	−17	64	−38
Capital expenditures	7.942	7.717	7.667	8.727	8.714	10.033	11.342	−19	32	− 4
Change in appropriations backlog*	−0.676	+0.887	+1.466	+0.819	+4.057	+10.843	+1.726			
Nondurable Goods										
New appropriations	11.942	11.581	13.666	13.238	13.154	45.055	15.413	− 9	18	14
Capital expenditures	11.166	10.947	10.577	10.833	11.191	11.775	12.409	−26	12	25
Change in appropriations backlog*	−0.454	+0.095	+0.522	+0.109	+1.095	+3.024	+2.071			
ELECTRIC & GAS UTILITIES										
New appropriations	7.614	5.663	5.831	6.968	5.335	8.385	10.801			
Capital expenditures	8.996	9.236	9.024	8.292	8.757	9.150	9.127			
Change in appropriations backlog*	−4.916	−6.849	−3.913	−4.056	−5.799	−2.466	.646			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

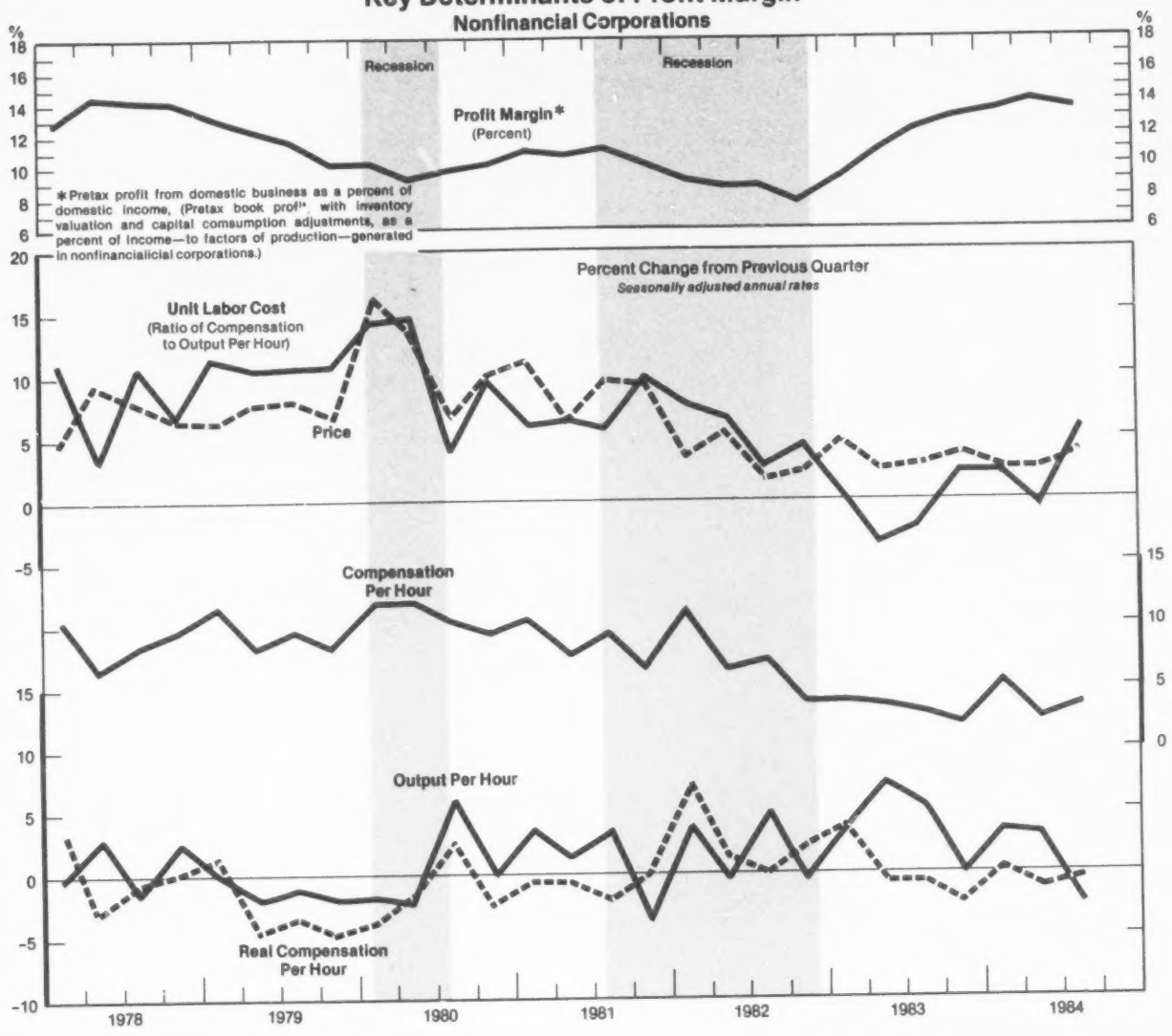
* Change in Backlog = New Appropriations—(Expenditures + Cancellations + Other Adjustments).

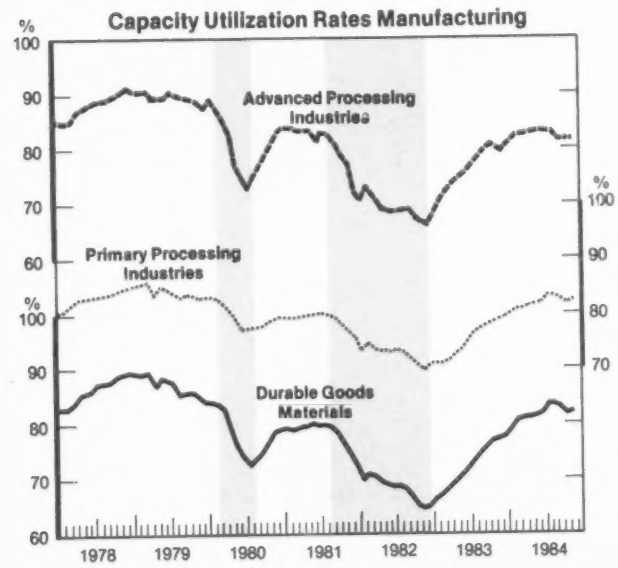
** Results based on survey respondents' expectations.

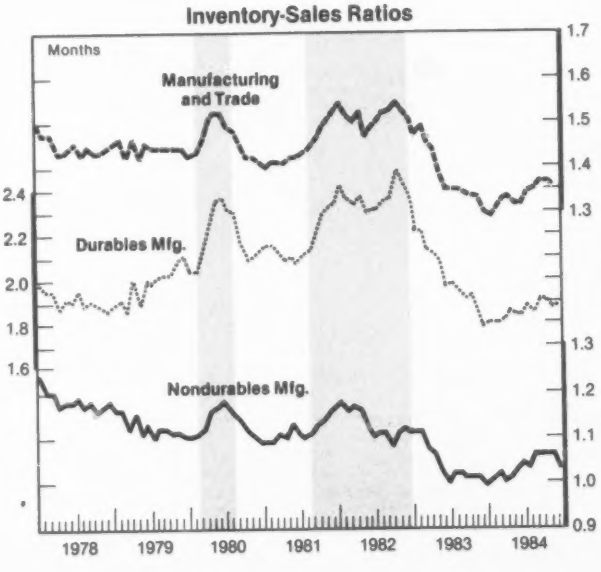


*Source: of Forecast is The Energy Information Administration, Department of Energy

Key Determinants of Profit Margin







ECONOMIC FORECASTS

			U.C.L.A. Business Forecasting Project[2]		Merrill Lynch Economics Inc.[2]		E.I. duPont de Nemours & Co.[2]		Georgia State University[2]	
Date of Forecast			*Jan., 1985*		*Jan., 1985*		*Jan., 1985*		*Jan., 1985*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1984**	**IV**	**$3752.5**	**6.4%**	**$3752.5**	**6.4%**	**$3752.5**	**6.4%**	**$3752.5**	**6.4%**
	1985	I	3834.4	9.0	3832.9	8.8	3825.4	8.0	3832.4	8.8
		II	3905.4	7.6	3907.0	8.0	3884.9	6.4	3906.9	8.0
		III	3970.6	6.8	3986.2	8.4	3955.1	7.4	3988.2	8.6
		IV	4038.9	7.1	4067.5	8.4	4041.6	9.0	4054.0	6.8
	1986	I	4106.2	6.8	4136.2	6.9	4117.9	7.8	4112.0	5.8
		II	4178.4	7.2	4205.8	6.9	4209.6	9.2	4164.9	5.2
		III	4256.4	7.7	4286.2	7.9	4288.0	7.7	4245.2	7.9
		IV	4347.4	8.8	4372.9	8.3	4325.1	3.5	4345.7	9.8
	1987	I	4441.7	9.0						
Actual	**1984**	**Annual**	**3661.3**	**10.8**	**3661.3**	**10.8**	**3661.3**	**10.8**	**3661.3**	**10.8**
	1985	Annual	3937.3	7.5	3948.4	7.8	3926.8	7.3	3945.4	7.8
	1986	Annual	4222.1	7.2	4250.3	7.6	4235.2	7.9	4217.0	6.9
Gross National Product Billions of Constant (1972) Dollars										
Actual	**1984**	**IV**	**$1661.1**	**3.9%**	**$1661.1**	**3.9%**	**$1661.1**	**3.9%**	**$1661.1**	**3.9%**
	1985	I	1681.6	5.0	1679.5	4.5	1680.0	4.6	1683.0	5.4
		II	1698.8	4.2	1692.5	3.1	1693.5	3.3	1703.0	4.8
		III	1714.5	3.7	1707.7	3.6	1707.0	3.2	1722.0	4.5
		IV	1728.0	3.2	1724.7	4.0	1723.5	3.9	1731.0	2.1
	1986	I	1739.6	2.7	1735.4	2.5	1737.5	3.3	1737.0	1.4
		II	1752.6	3.0	1744.2	2.0	1754.0	3.9	1741.0	.9
		III	1767.1	3.4	1757.2	3.0	1761.0	1.6	1753.0	2.8
		IV	1783.6	3.8	1773.2	3.7	1747.0	-3.1	1771.0	4.2
	1987	I	1800.7	3.9						
Actual	**1984**	**Annual**	**1639.0**	**6.8**	**1639.0**	**6.8**	**1639.0**	**6.8**	**1639.0**	**6.8**
	1985	Annual	1705.7	4.1	1701.1	3.8	1701.0	3.8	1709.8	4.3
	1986	Annual	1760.7	3.2	1752.5	3.0	1749.9	2.9	1750.5	2.4
Gross National Product deflator Index, 1972 = 100										
Actual	**1984**	**IV**	**225.9**	**2.4%**	**225.9**	**2.4%**	**225.9**	**2.4%**	**225.9**	**2.4%**
	1985	I	228.0	3.8	228.2	4.2	227.7	3.2	227.7	3.2
		II	229.9	3.3	230.8	4.7	229.4	3.0	229.4	3.0
		III	231.6	3.0	233.4	4.6	231.7	4.1	231.6	3.9
		IV	233.7	3.8	235.8	4.2	234.5	4.9	234.2	4.6
	1986	I	236.0	4.0	238.3	4.3	237.0	4.3	236.7	4.4
		II	238.4	4.1	241.1	4.8	240.0	5.2	239.2	4.3
		III	240.9	4.2	243.9	4.7	243.5	6.0	242.2	5.0
		IV	243.7	4.9	246.6	4.5	247.6	6.9	245.4	5.4
	1987	I	246.7	4.9						
Actual	**1984**	**Annual**	**223.4**	**3.7**	**223.4**	**3.7**	**223.4**	**3.7**	**223.4**	**3.7**
	1985	Annual	230.8	3.3	232.1	3.9	230.8	3.3	230.7	3.3
	1986	Annual	239.8	3.9	242.5	4.5	242.0	4.8	240.9	4.4
Unemployment Rate										
Actual	**1984**	**IV**		**7.1%**		**7.1%**		**7.1%**		**7.1%**
	1985	I		7.1		7.3		7.1		7.4
		II		7.0		6.9		7.1		7.0
		III		6.9		6.8		7.0		6.8
		IV		6.9		6.6		6.7		6.7
	1986	I		6.9		6.8		6.5		6.9
		II		6.9		7.0		6.6		7.3
		III		6.9		6.8		6.6		7.4
		IV		6.9		6.6		7.0		7.5
	1987	I		6.8						
Actual	**1984**	**Annual**		**7.5**		**7.5**		**7.5**		**7.5**
	1985	Annual		6.9		6.9		7.0		7.0
	1986	Annual		6.9		6.8		6.7		7.3

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.
[1]Based on revised (2nd revision) third quarter data.
[2]Based on preliminary fourth quarter data.

ECONOMIC FORECASTS (continued)

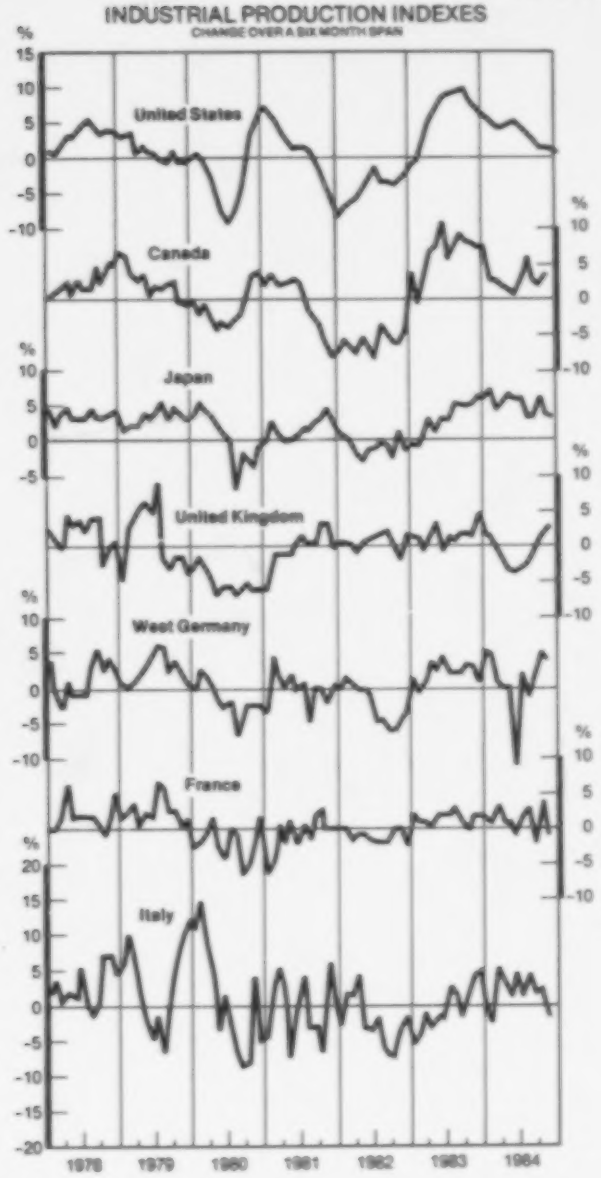
The Conference Board[1]		Chase Econometric Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]		Date of Forecast		
Dec., 1984		Jan., 1985		Jan., 1985		Jan., 1985				
Level	Percent Change	Level	Percent Change	Level	Percent Change	Level	Percent Change			
								Gross National Product Billions of Current Dollars		
		$3752.5	**6.4%**	**$3752.5**	**6.4%**	**$3752.5**	**6.4%**	**IV**	**1984**	**Actual**
$3796.0	6.6	3830.7	8.6	3816.5	7.0	3832.4	8.8	I	1985	
3879.0	9.0	3913.7	9.0	3878.0	6.6	3907.1	8.0	II		
3956.0	8.2	3986.2	7.6	3933.8	5.9	3975.2	7.2	III		
4024.0	7.0	4043.2	5.8	3993.1	6.2	4041.5	6.8	IV		
4098.0	7.6	4092.3	4.9	4052.1	6.0	4118.8	7.9	I	1986	
4187.0	9.0	4170.4	7.9	4115.6	6.4	4185.8	6.7	II		
4267.0	7.9	4252.8	8.1	4183.5	6.8	4255.3	6.8	III		
4352.0	8.2	4344.2	8.9	4263.5	7.9	4332.0	7.4	IV		
		4443.0	9.4	4345.8	7.9	4422.1	8.6	I	1987	
		3661.3	**10.8**	**3661.3**	**10.8**	**3661.3**	**10.7**	**Annual**	**1984**	**Actual**
3913.8	7.0	3943.5	7.7	3905.4	6.7	3939.1	7.6	Annual	1985	
4226.0	8.0	4214.9	6.9	4153.7	6.4	4223.0	7.2	Annual	1986	
								Gross National Product Billions of Constant (1972) Dollars		
		$1661.1	**3.9%**	**$1661.1**	**3.9%**	**$1661.1**	**3.9%**	**IV**	**1984**	**Actual**
$1667.5	2.9	1674.5	3.3	1674.1	3.2	1679.7	4.8	I	1985	
1683.8	4.0	1690.6	3.9	1687.6	3.3	1698.5	4.6	II		
1693.3	2.3	1705.2	3.5	1700.2	3.0	1713.3	3.5	III		
1699.4	1.4	1708.9	1.1	1711.3	2.6	1724.5	2.6	IV		
1709.7	2.4	1715.3	1.3	1721.0	2.3	1738.8	3.4	I	1986	
1724.3	3.5	1729.2	3.3	1732.2	2.6	1751.4	2.9	II		
1737.0	3.0	1745.7	3.9	1744.7	2.9	1765.2	3.2	III		
1750.0	3.0	1761.7	3.7	1759.1	3.3	1779.4	3.3	IV		
		1780.4	4.3	1774.1	3.5	1795.1	3.6	I	1987	
		1639.0	**6.8**	**1639.0**	**6.8**	**1639.0**	**6.8**	**Annual**	**1984**	**Actual**
1696.0	3.0	1695.1	3.4	1693.3	3.3	1704.0	4.0	Annual	1985	
1730.3	2.6	1738.0	2.5	1739.3	2.7	1758.7	3.2	Annual	1986	
								Gross National Product deflator Index, 1972 = 100		
		225.9	**2.4%**	**225.9**	**2.4%**	**225.9**	**2.4%**	**IV**	**1984**	**Actual**
227.6	3.5	228.8	5.2	228.0	3.7	228.2	4.1	I	1985	
230.4	4.9	231.5	4.9	229.8	3.2	230.0	3.3	II		
233.6	5.8	233.8	4.0	231.4	2.8	232.0	3.5	III		
236.8	5.5	236.5	4.7	233.3	3.4	234.4	4.1	IV		
239.7	5.0	238.6	3.6	235.5	3.7	236.9	4.4	I	1986	
242.8	5.3	241.2	4.4	237.6	3.7	239.0	3.6	II		
245.7	4.7	243.6	4.1	239.8	3.7	241.1	3.5	III		
248.7	5.0	246.6	5.0	242.4	4.4	243.5	4.0	IV		
		249.6	4.9	245.0	4.3	246.3	4.8	I	1987	
		223.4	**3.7**	**223.4**	**3.7**	**223.4**	**3.7**	**Annual**	**1984**	**Actual**
232.1	3.9	232.6	4.1	230.6	3.2	231.1	3.5	Annual	1985	
244.2	5.2	242.5	4.2	238.8	3.5	240.1	3.9	Annual	1986	
								Unemployment Rate		
	7.1%		**7.1%**		**7.1%**		**7.1%**	**IV**	**1984**	**Actual**
	7.2		6.9		7.2		7.1	I	1985	
	7.0		6.9		7.2		6.9	II		
	7.2		7.0		7.2		6.7	III		
	7.6		7.1		7.2		6.6	IV		
	7.7		7.2		7.3		6.6	I	1986	
	7.5		7.2		7.3		6.6	II		
	7.5		7.1		7.4		6.7	III		
	7.5		6.9		7.4		6.7	IV		
			6.7		7.3		6.7	I	1987	
	7.5		**7.5**		**7.5**		**7.5**	**Annual**	**1984**	**Actual**
	7.3		7.0		7.2		6.8	Annual	1985	
	7.6		7.1		7.3		6.6	Annual	1986	

Please Note: In the interest of speeding the data contained in this publication to you, these series are now available on-line through The Conference Board Data Base. For more information, contact Linette Stein Waters or Ken Goldstein at (212) 759-0900.

SELECTED INTERNATIONAL COMPARISONS

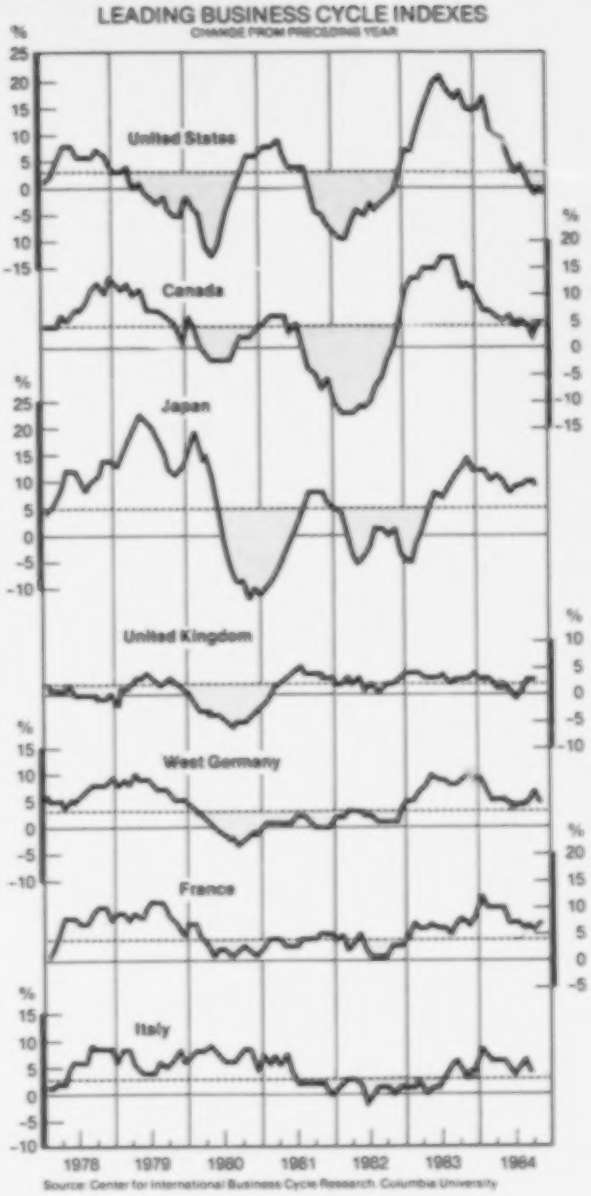
INDUSTRIAL PRODUCTION INDEXES

CHANGE OVER A SIX MONTH SPAN



LEADING BUSINESS CYCLE INDEXES

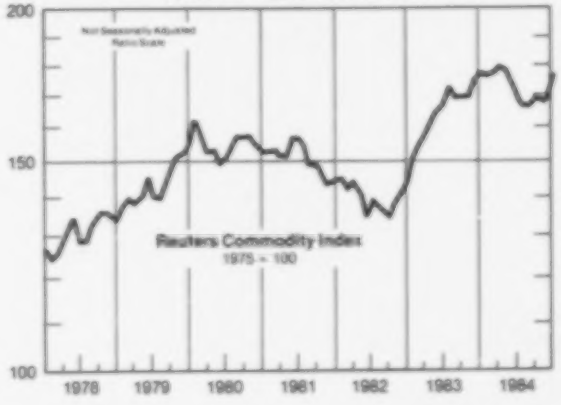
CHANGE FROM PRECEDING YEAR



Source: Center for International Business Cycle Research, Columbia University

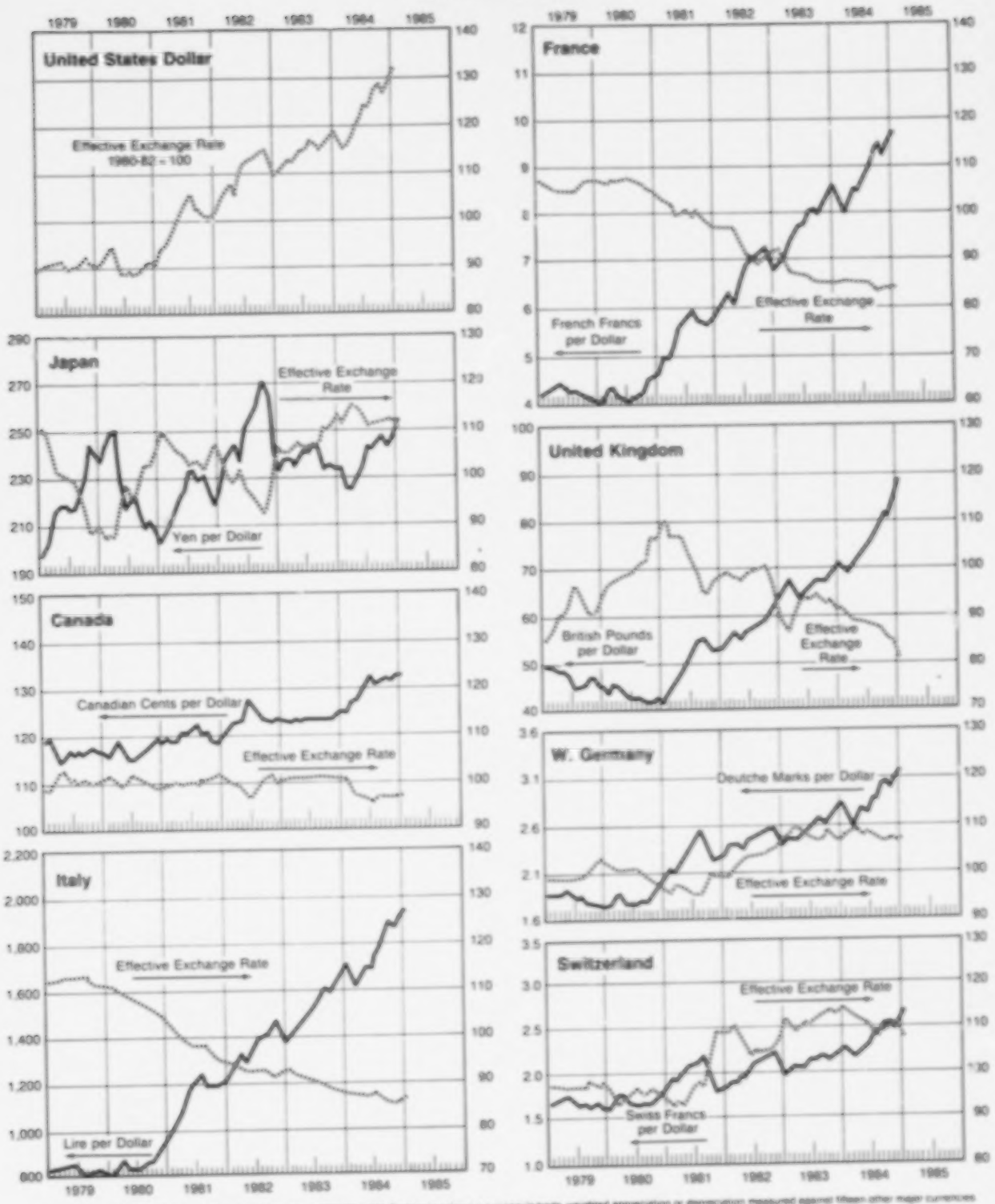
MERCHANDISE TRADE: VALUE OF EXPORTS

RAW MATERIALS PRICES



Foreign Exchange Rates

Indexes: 1980-82 = 100



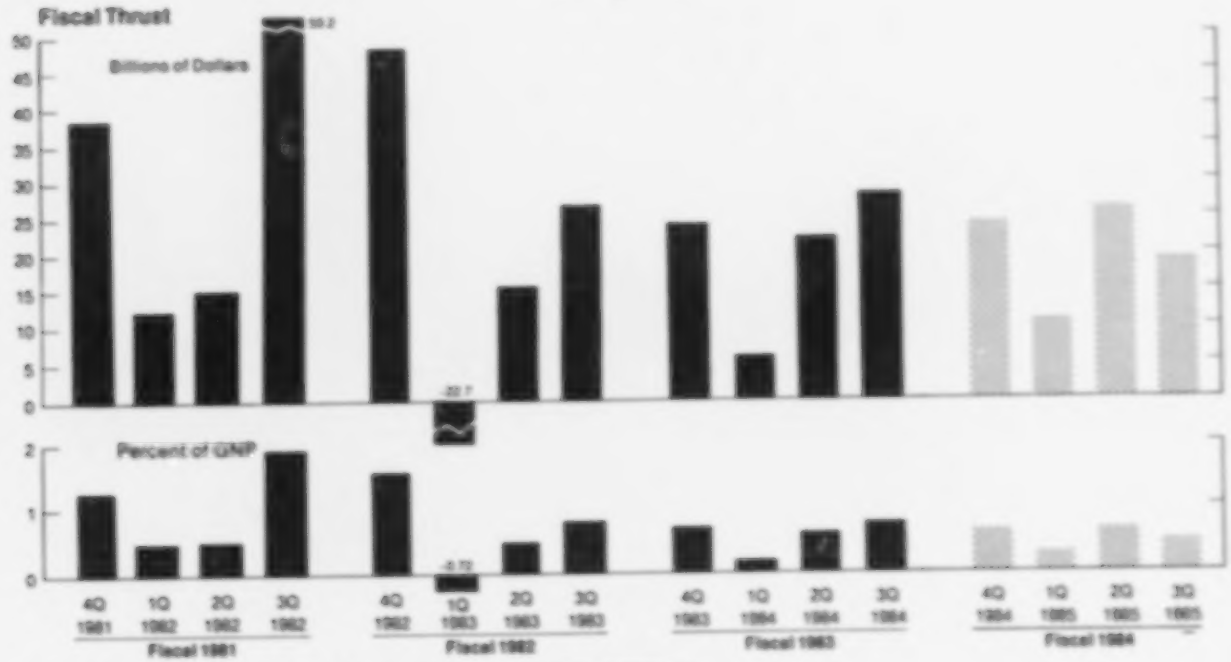
Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against fifteen other major currencies using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

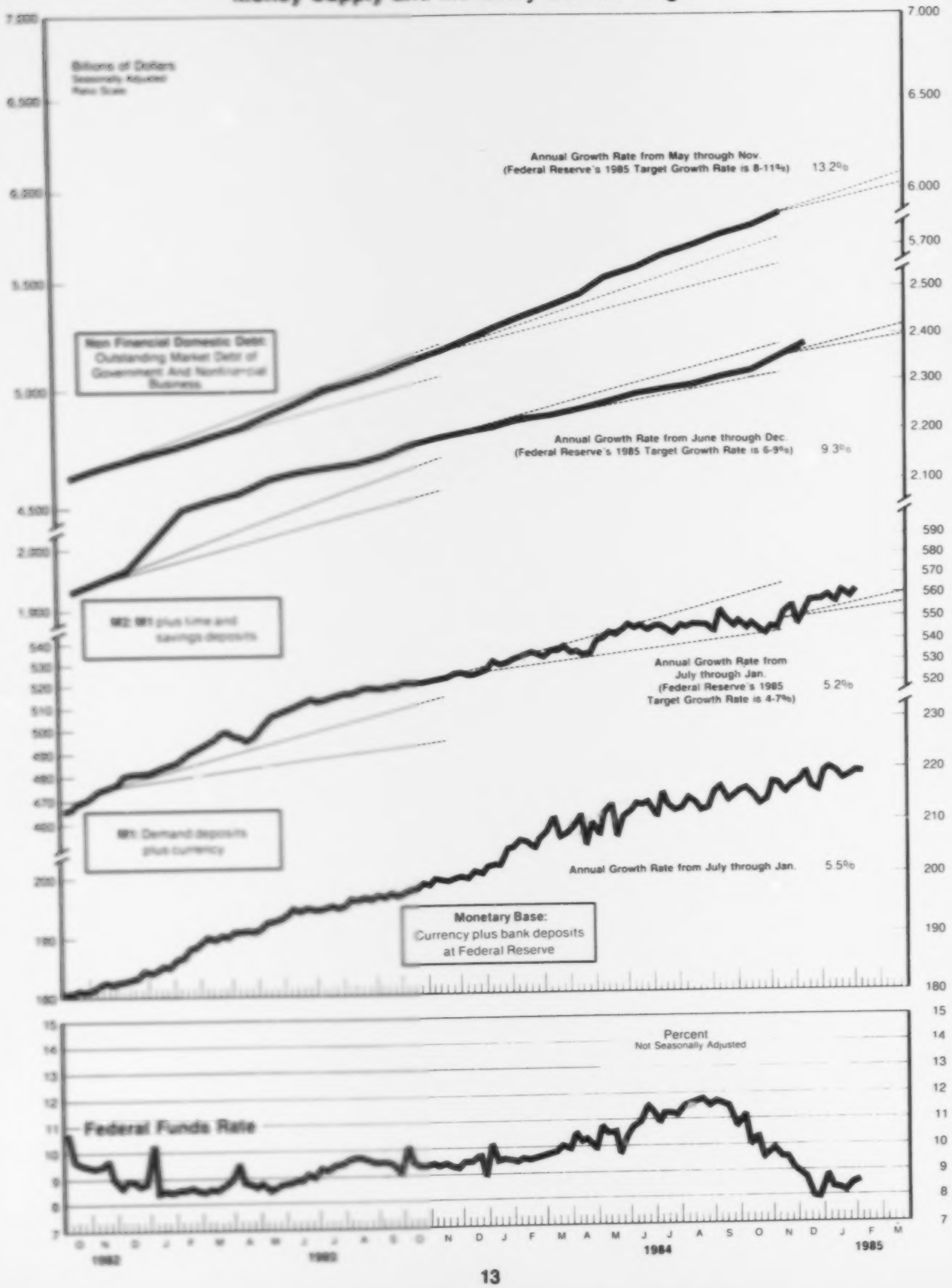
	Fiscal 1980			Fiscal 1986		
	Current Services (2/4/80)	President's Proposal (2/4/80)	Congressional Estimate (2/5/80)	Current Service (2/4/80)	President's Proposal (2/4/80)	Congressional Estimate (2/5/80)
Receipts	**736.9**	**736.9**	**726.0**	**794.3**	**760.7**	**768.0**
Outlays	**960.4**	**958.1**	**936.0**	**1,024.5**	**973.7**	**995.0**
Deficit	**-223.6**	**-222.2**	**-203.0**	**-230.3**	**-180.0**	**-206.0**
Receipts by source	**736.9**	**736.9**	**726.0**	**794.3**	**760.7**	**768.0**
Individual income taxes	329.7	329.7	333.0	359.4	358.9	361.0
Corporate income taxes	65.4	65.4	63.0	74.6	74.1	71.0
Social insurance	266.4	266.4	266.0	289.4	289.4	283.0
Other receipts	72.4	72.4	74.0	70.7	71.3	70.0
Outlays by function	**960.4**	**958.1**	**936.0**	**1,024.5**	**973.7**	**995.0**
National defense	253.2	253.8	252.0	294.6	295.7	292.0
Social security and medicare	257.4	257.4	254.0	273.6	269.4	271.0
Income security	128.3	127.2	126.0	120.8	115.8	121.0
Health	33.9	33.9	34.0	36.7	34.9	35.0
Education and manpower	30.6	30.4	30.0	31.3	29.3	31.0
Transportation	27.0	27.0	26.0	27.9	25.9	26.0
Veterans' benefits	26.9	26.9	26.0	27.8	26.8	27.0
International affairs	19.3	19.6	17.0	19.0	16.3	17.0
Agriculture	20.2	20.2	21.0	16.1	12.6	16.0
National resources and environment	13.0	13.0	12.0	13.2	11.9	13.0
General science	8.7	8.7	9.0	9.3	9.3	9.0
Community development	8.6	8.6	8.0	6.3	7.3	8.0
Justice	6.7	6.7	6.0	6.9	6.6	7.0
Revenue sharing	6.5	6.6	6.0	6.6	2.6	6.0
General government	5.8	5.8	6.0	5.8	4.8	6.0
Energy	8.7	8.2	3.0	7.9	4.7	4.0
Commerce and housing credit	6.0	6.0	3.0	5.3	2.2	3.0
Interest	130.5	130.4	130.0	145.8	142.6	146.0
Allowances	1.1	1.1	1.0	1.7	0.4	1.0
Undistributed offsetting receipts	-32.2	-32.3	-33.0	-36.0	-37.5	-36.0

Sources: Office of Management and Budget, Congressional Budget Office.



Note: The Conference Board has developed estimates of fiscal thrust which measure the initial economic impact of the budget which then results in subsequent rounds of spending associated with the 'multiplier effect' within the private sector of the economy. For more complete descriptions, see Michael Levy, 'The Federal Budget: Its Impact on the Economy FY81' (c. The Conference Board: New York, 1980).

Money Supply and Monetary Growth Targets



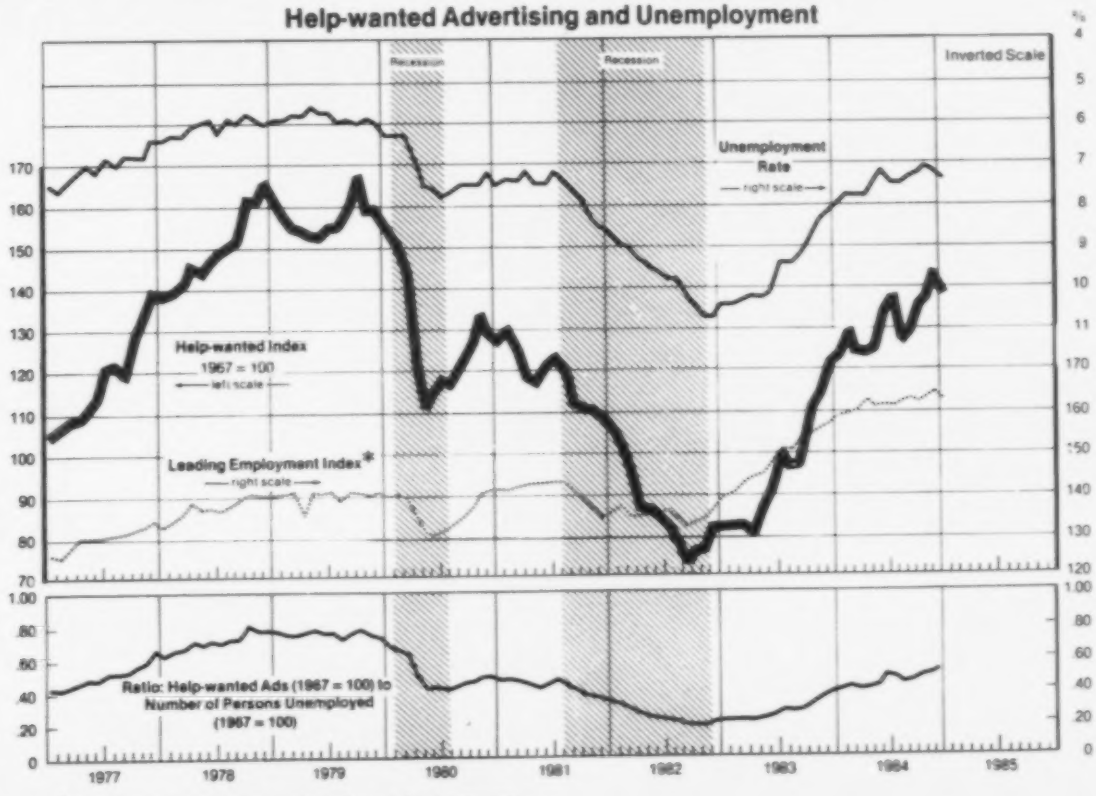
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEXES

Seasonally Adjusted Indexes, 1967 = 100

	1984			1983
	Dec.	Nov.	Oct	Dec.
Total Index 51 papers	145	137r	135	121
New England	154	143	153	130
Boston	168	154	164	144
Hartford	143	147	155	119
Providence	116	103	113	92
Middle Atlantic	67	63	63	58
Albany	141	130	119	111
Allentown	166	171	186	119
New York	53	52	53	52
Philadelphia	64	61	58	52
Pittsburgh	71	58	56	53
Rochester	82	76	74	65
Syracuse	112	107	101	90
East North Central	94	84	82	74
Chicago	107	99	100	89
Cincinnati	137	122	116	88
Cleveland	65	57	56	51
Columbus	145	130	113	98
Dayton	73	60	57	53
Detroit	62	52	60	53
Gary	105	104	96	110
Indianapolis	113	95	83	82
Milwaukee	63	55	52	51
Toledo	119	103	85	87
West North Central	98	89	88	70
Kansas City	164	132	132	99
Minneapolis	90	81	82	63
Omaha	117	112	116	103
St. Louis	61	64	59	50
South Atlantic	170	169r	162	137
Atlanta	307	309	312	248
Baltimore	112	143r	98	76
Charlotte	151	141	148	123
Jacksonville	208	202	189	176
Miami	77	77	81	79
Richmond	105	88	92	77
Washington, D.C.	178	161	166	144
East South Central	143	127	133	114
Birmingham	149	139	131	121
Knoxville	196	178	193	182
Louisville	76	77	75	63
Memphis	107	104	104	97
Nashville	223	171	203	149
West South Central	291	275	272	280
Dallas	423	392	387	395
Houston	358	337	338	363
New Orleans	130	129	125	128
Oklahoma City	159	154	144	157
San Antonio	191	199	204	159
Tulsa	177	154	145	153
Mountain	353	336	304	278
Denver	n.a.	214	166	178
Phoenix	552	493	472	395
Salt Lake City	378	363	336	309
Pacific	206	200	202	170
Los Angeles	153	148	153	132
Sacramento	329	321	320	294
San Bernardino	210	187	221	123
San Diego	404	431	421	333
San Francisco	238	223	215	181
Seattle	186	182	185	179
Percentage of papers with rising volume	80%	55r%	65%	86%
Unemployment rate	7.2%	7.1%	7.3%	8.2%

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised n.a.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1969-1970 = 100
(Seasonally Adjusted)

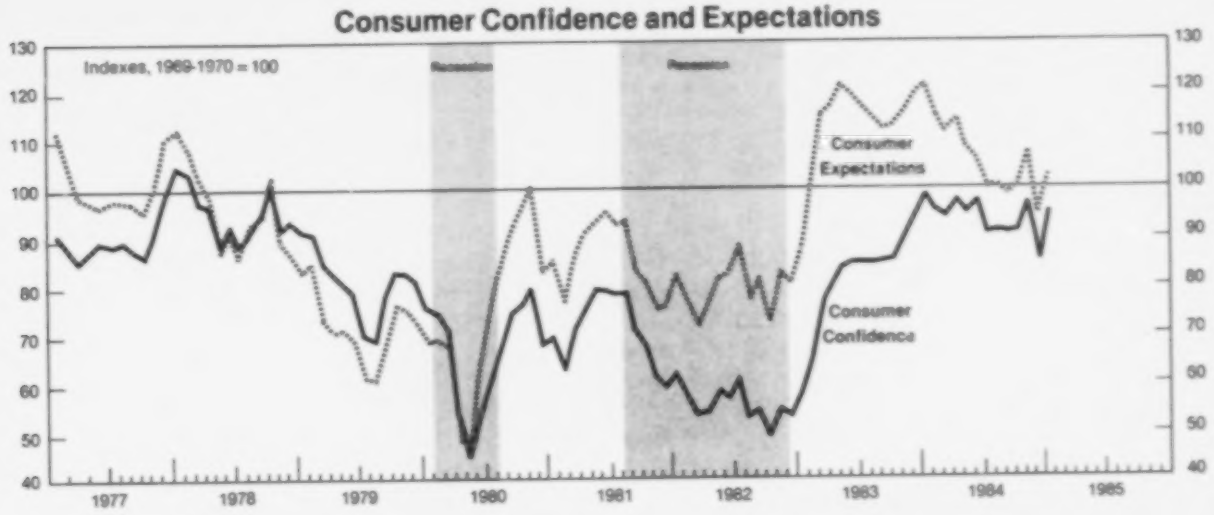
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1983	58.0	65.8	77.1	80.3	84.0	84.9	84.7	84.6	84.8	85.7	90.2	95.1
1984	98.4	95.7	94.5	97.9	95.2	97.1	91.0	91.9	91.0	91.5	96.8	85.9r
1985	95.3p											
Buying Plans Index												
1983	71.9	75.8	87.9	86.0	85.2	103.6	100.5	89.9	113.5	109.9	108.9	108.5
1984	101.4	108.0	103.9	99.4	105.1	121.6r	94.5	100.6	93.3	98.5	102.7	96.2r
1985	101.2p											

Confidence Index measures consumer optimism in appraising economic conditions. Buying Plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r—revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF DISCRETIONARY PURCHASING POWER AND SPENDING

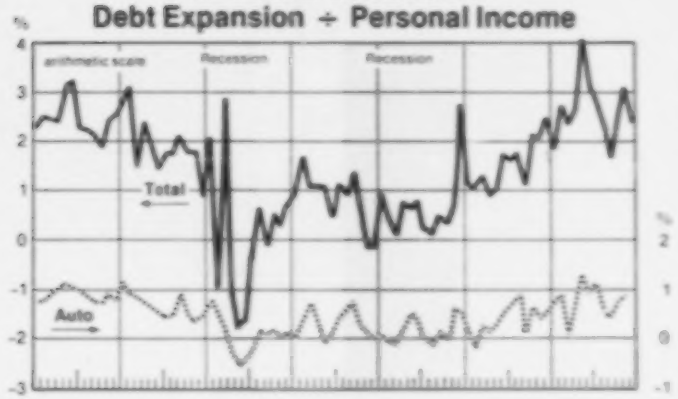
Billions of Current Dollars (Seasonally Adjusted at Annual Rates)

		Aggregate Purchasing Power (APP)	Discretionary			Ratios			
			Purchasing Power (DPP)	Spending (DSP)	Saving (DSA)	(DSP)/(DPP)	(DSP)/(APP)	Total Saving/ (APP)	Net Saving/ Income After Taxes
1978	IV	$1714.9	$604.0	$437.0	$167.0	72.3%	25.5%	14.0%	8.5%
1979	I	1758.5	621.0	435.3	185.8	70.1	24.8	14.0	7.5
	II	1846.3	660.4	433.4	226.9	65.6	23.5	16.3	10.5
	III	1865.0	651.0	451.8	199.2	69.4	24.2	14.2	8.8
	IV	1903.1	642.3	466.9	175.3	72.7	24.5	13.1	9.0
1980	I	1999.7	702.4	479.4	223.0	68.3	24.0	15.2	10.4
	II	1942.3	600.7	454.5	146.3	75.7	23.4	12.5	11.4
	III	2085.1	698.2	474.4	223.8	67.9	22.8	15.5	11.8
	IV	2147.6	735.9	497.5	238.3	67.6	23.2	14.9	10.8
1981	I	2180.1	732.3	520.4	211.9	71.1	23.9	13.6	10.0
	II	2235.7	740.6	514.5	226.0	69.5	23.0	14.7	10.4
	III	2317.8	771.2	525.3	246.0	68.1	22.7	15.5	12.4
	IV	2289.4	739.2	520.2	219.0	70.4	22.7	13.7	12.0
1982	Ir	2293.4	719.1	530.1	189.0	73.7	23.1	12.2	10.7
	IIr	2344.3	731.9	542.9	189.0	74.2	23.2	12.8	10.5
	IIIr	2424.8	782.9	549.5	233.4	70.2	22.7	14.1	12.3
	IVp	2458.0	799.0	577.0	222.0	72.2	23.5	13.3	10.3

Note: For an explanation of discretionary purchasing power and spending, see the Sept., 1981 issue of the *Statistical Bulletin*.

P—Preliminary R—Revised

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales

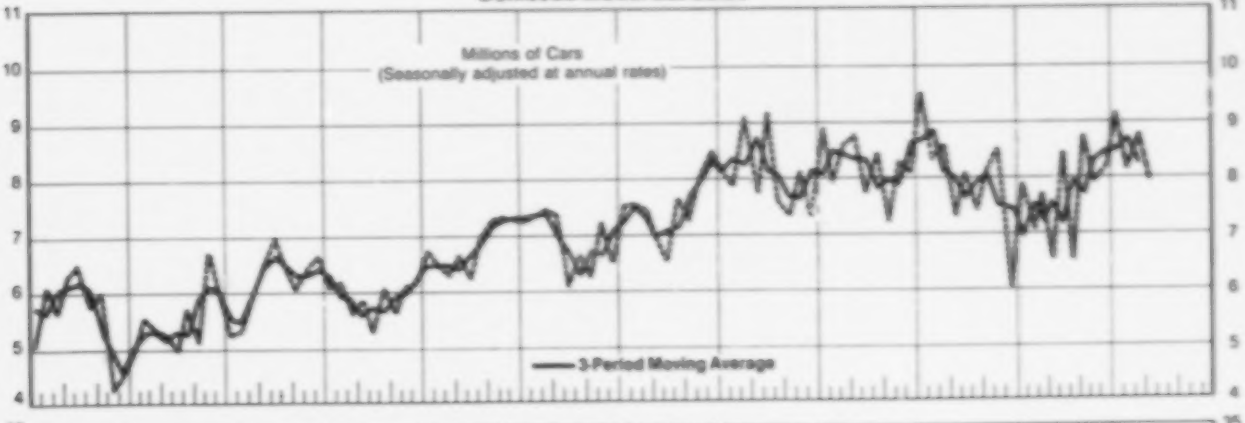
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1982	1983	1984	1985
January:	1-10	5.53	6.17	8.16	9.14
	11-20	5.59	6.20	7.84	8.16
	21-31	5.14	5.60	9.15	8.78
February:	1-10	6.10	5.86	7.79	7.97
	11-20	6.03	5.30	9.17	
	21-28(29)	6.06	6.07	7.60	
March:	1-10	5.46	5.81	7.35	
	11-20	5.68	6.10	8.13	
	21-31	6.17	6.19	7.35	
April:	1-10	5.06	6.69	8.86	
	11-20	6.14	6.52	7.96	
	21-30	5.62	6.35	8.60	
May:	1-10	6.31	6.67	8.75	
	11-20	6.53	6.30	7.74	
	21-31	5.77	6.97	8.43	
June:	1-10	6.00	7.23	7.22	
	11-20	4.24	7.34	8.25	
	21-30	4.56	7.28	8.10	
July:	1-10	4.98	7.25	9.51	
	11-20	5.56	7.36	8.32	
	21-31	5.34	7.43	8.59	
August:	1-10	5.27	7.39	7.33	
	11-20	5.00	6.11	8.07	
	21-31	5.72	6.65	7.43	
September:	1-10	5.16	6.26	8.13	
	11-20	6.75	7.21	8.52	
	21-30	6.11	6.55	8.03	
October:	1-10	5.22	7.52	7.83	
	11-20	5.36	7.56	7.07	
	21-31	5.91	7.45	7.70	
November:	1-10	6.56	6.96	6.60	
	11-20	6.98	6.55	8.44	
	21-30	6.48	7.62	8.57	
December:	1-10	6.03	7.30	8.75	
	11-20	6.45	8.09	7.96	
	21-31	6.64	8.48	8.19	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic-Model Car Sales



Imports as Percent of Total New Car Sales